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Daily Report – Romania

Date: 25.06.2014

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,857.69	↑ 0.70	↑ 1.16
BETPlus	1,014.52	↑ 0.17	n.a
BET-FI	29,123.48	↓ -0.11	↑ 2.50
BET-XT	615.70	↑ 0.49	↑ 1.43
FP	0.8195	↑ 0.61	↑ 1.17
SNG	33.9800	↓ -0.06	↓ -1.51
EBS	105.8500	↓ -0.70	↓ -5.49
SNP	0.4710	↑ 0.19	↑ 4.20
TGN	198.0000	↑ 0.25	↑ 1.59

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	2.10	⇒ 0.0	↓ -2.5
12 month	2.24	↓ 0.0	↓ -3.5
3 year	3.11	↓ -3.0	↓ -9.0
5 year	3.57	↓ -3.0	↓ -5.5
10 year	4.45	↓ -0.5	↓ -2.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	8.8Y	RON 200 mn	RON 200 mn

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.99	↑ 103.0	↑ 214.0
3M ROBOR	2.43	↑ 4.0	↑ 5.0
6M ROBOR	2.78	↑ 2.0	⇒ 0.0
1Y ROBOR	2.86	↓ -1.0	↓ -3.0
5Y CDS	135.00	↓ -1.6	↓ -2

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.3875	↓ -0.02	↓ -0.10
USD/RON	3.2197	↓ -0.01	↓ -0.25
CHF/RON	3.6107	↑ 0.16	↓ -0.01
100HUF/RON	1.43	↑ 0.11	↓ -0.18

Source: Reuters, OTP Research

Summary

- BET lost 0.7% yesterday while in Europe most indexes fell up to 1%; the macro data released in the US was much weaker than expected, reinforcing views that the Fed would keep rates low for a longer period, thereby still supporting equities
- The cash budget deficit stood at 0.24% during the first 5M but the core revenues dynamics did not reveal an improvement, which is essential considering the proposed tax changes to be applied as of Q4 2014.

BET lost 0.7% on a day and total equities' turnover was much lower: EUR 11.8 mn compared to nearly double the previous day. The deals market remained active and covered almost 40% of liquidity. In Europe, most major indexes ended down up to 1%. The macro data released in the US revealed disappointing figures, with GDP falling 2.9% annualized in Q1 against expectations of only 1.8% fall. The durable goods orders for May were down 1% whereas the consensus had predicted a flat dynamics. All in all, this shows again that the Fed policy is likely to keep interest rates low for a longer period of time and that equities could still have some more breathing room.

Government bond yields continued to inch back yesterday and on a weekly basis we're still looking at lower yields by up to 9 bps especially for 3-5Y maturity. Romanian bond yields are at the lowest historical levels and several factors both fundamental and conjunctural led to this performance. However, as we move further into the year both influences will diminish and expectations are for an upward shift of yield curve by as much as 50 bps for the 10 year bonds by the end of December.

The cash deficit during the first 5M of the year stood at 0.24% compared to 0.28% during Jan- April. The annual dynamics of current revenues slowed down to 3.7% from 4.4% YoY during the first 4M. Fiscal revenues grew by 7% YoY in Jan-May, same as in Jan- April, but this was helped by the tax on special constructions which had as a first deadline 26th May. The second deadline is 25th September when the rest of the amount should be paid. The two payments are equal. On the other hand, current expenditures rose by 0.7% Jan- May as opposed to a drop of 0.6% during the first 4M. Capital expenditures did not show a significant progress, they were lower by 38% YoY in Jan – May and by 42.4% YoY in Jan- April, which is partly how the government manages to keep expenses at bay. So far, the low appetite to increase public investments have hurt constructions activity, as we see in the evolutions of the civil engineering production, on a monthly basis and more clearly in the quarterly GDP data. The current trend does not point to an improvement of core revenues, which is what we are looking for considering the significant change in social contributions that will be applied as of 1st of October and impact especially the 2015 budget.

PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Wednesday				
Thursday	May	Non -governmental loans (y-o-y, %)		-0.8
	May	Non -governmental deposits (y-o-y, %)		7.1
	May	M3 aggregate (y-o-y, %)		6.7

Source: Reuters, NIS, NBR, OTP Research

OTP AM – Open-End Funds		24.06.2014					
Open-end fund	ccy	last NAV/U	1d%	Ytd%	52W%		
OTP AvantisRO	RON	7.8464	↑ 0.59	↑ 0.25	↑ 15.33		
OTP Obligatiuni	RON	13.3556	↑ 0.01	↑ 2.11	↑ 5.08		
OTP ComodisRO	RON	16.0982	↑ 0.01	↑ 1.98	↑ 4.72		
OTP Eurobond	EUR	11.7921	↑ 0.02	↑ 1.40	↑ 3.05		
OTP Dollar Bond	USD	10.1128	↑ 0.01	↑ 1.13	n.a.		

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